

ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1969

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PRICE WATERHOUSE & Co.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1969

INDEX

| | <u>Pages</u> |
|--|--------------|
| Atlantic Acceptance Corporation Limited - In Receivership: | |
| Combined Financial Statements | 1 to 12 |
| Financial Statements (as a corporation) | 13 to 23 |
| The Premier Finance Corporation Limited - In Receivership: | |
| Financial Statements | 24 to 28 |
| Adelaide Acceptance Limited: | |
| Financial Statements | 29 to 33 |
| Atlantic Acceptance (Toronto) Limited: | |
| Financial Statements | 34 to 38 |
| Commodore Factors Limited: | |
| Financial Statements | 39 to 43 |
| Concourse Agencies Limited: | |
| Financial Statements | 44 to 45 |
| Pay As You Study Plan Limited: | |
| Financial Statements | 46 to 47 |
| Lucayan Beach Hotel and Development Limited: | |
| Financial Statements - September 30, 1969 | 48 to 56 |

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT


Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Combined Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1969, the Combined Statement of Deficit as at June 17, 1965, the date when the company went into receivership, as adjusted to December 31, 1969, the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the companies were under the control of the Receiver and Manager, and the Combined Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values.

We have the following comments on the combined financial statements as at December 31, 1969:

We consider that the estimated amounts due in respect of sale of interest in former subsidiary companies (\$6,279,119) as referred to in Note 3 to the combined financial statements, and the estimated realizable value of instalment notes and accounts receivable (\$354,846), have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

Full provision has not been made for the compensation of the Receiver and Manager (Note 6 to the combined financial statements). 

Litigation is pending which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture (Note 11 to the combined financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$140,095,807 is entitled to the security of the indenture.

No provision has been made for the operating loss of the unconsolidated subsidiary company, Lucayan Beach Hotel and Development Limited (Note 4 X) to the combined financial statements).

Subject to the comments in the preceding paragraph, in our opinion these combined financial statements present fairly the deficiency in net assets as at December 31, 1969, the changes in the combined deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

(See Note 1 for basis of preparation of combined financial statements)

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>1969</u> | <u>1968</u> |
| Assets under the control of the Receiver and Manager: | | |
| Cash (Note 2) | \$ 1,050,599 | \$ 1,057,993 |
| Short-term investments, maturing within one year, at cost plus accrued interest (including \$48,128,346 (U.S. \$44,861,843) in 1969 and \$36,200,080 (U.S. \$33,743,157) in 1968 payable in U.S. dollars): | | |
| Deposit receipts of Canadian chartered banks | 48,128,346 | 36,974,990 |
| Deposit receipts and guaranteed investment certificates of Canadian trust companies | 40,421,872 | 20,401,691 |
| Provincial treasury bills | 3,118,011 | 16,765,697 |
| Hydro electric commission notes, guaranteed by provincial governments | - | 6,863,514 |
| | <u>91,668,229</u> | <u>81,005,892</u> |
| Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3) | 6,279,119 | 5,273,651 |
| Instalment notes and accounts receivable, at estimated realizable value | 354,846 | 990,335 |
| Income taxes recoverable | 127,905 | 127,905 |
| Investments and advances: | | |
| Lucayan Beach Hotel and Development Limited (Note 4) | 9,896,491 | 11,251,045 |
| 6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 5) | <u>2,463,924</u> | <u>5,000,603</u> |
| | <u>12,360,415</u> | <u>16,251,648</u> |
| Fixed assets, at nominal value | <u>2</u> | <u>2</u> |
| Forward | \$111,841,115 | \$104,707,426 |

| | December 31 | |
|---|----------------------|----------------------|
| | 1969 | 1968 |
| Forward | \$111,841,115 | \$104,707,426 |
| Deduct- Liabilities of the Receiver and Manager: | | |
| Accounts payable and accrued liabilities | <u>247,292</u> | <u>214,624</u> |
| Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 6), being 102.7% of the principal amount (\$108,712,494) due to senior noteholders as at December 31, 1969 | <u>111,593,823</u> | <u>104,492,802</u> |
| Deduct- Senior debt (Note 7) | <u>140,095,807</u> | <u>133,562,050</u> |
| Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 6) | 28,501,984 | 29,069,248 |
| Other liabilities: | | |
| Subordinated debt (Note 8) | 21,271,598 | 20,262,633 |
| Junior subordinated debt (Note 9) | 5,533,193 | 5,267,462 |
| Accounts payable and accrued liabilities | 75,523 | 75,523 |
| Dividends payable | 249,430 | 249,430 |
| Contingent liability (Note 10) | <u>-</u> | <u>-</u> |
| | <u>27,129,744</u> | <u>25,855,048</u> |
| Deficiency in net assets | <u>\$ 55,631,728</u> | <u>\$ 54,924,296</u> |
| Represented by: | | |
| Capital stock | \$ 14,455,087 | \$ 14,455,087 |
| Deficit: | | |
| As at June 17, 1965 as adjusted to end of year | 61,147,995 | 61,259,949 |
| For the period from June 18, 1965 to end of year | <u>8,938,820</u> | <u>8,119,434</u> |
| | <u>(70,086,815)</u> | <u>(69,379,383)</u> |
| | <u>\$ 55,631,728</u> | <u>\$ 54,924,296</u> |

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1969

| | <u>Year ended December 31</u> | |
|---|-------------------------------|---------------------|
| | <u>1969</u> | <u>1968</u> |
| Balance at June 17, 1965 as adjusted to beginning of year | \$61,259,949 | \$63,723,412 |
| Deduct- Adjustments during the year relating to the assets and liabilities at June 17, 1965: | | |
| Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at beginning of year | 1,369,347 | 238,976 |
| Amounts recovered on notes and accounts receivable previously written off as uncollectible | 201,680 | 314,211 |
| Excess of amount received on the sale of shares of Great Northern Capital Corporation Limited over the book value of \$700,000 placed on the shares when they were acquired in 1965 | - | 1,375,338 |
| Adjustment of foreign exchange on notes payable in United States dollars based on year-end exchange rates (Note 1) | - | 604,367 |
| | <u>1,571,027</u> | <u>2,532,892</u> |
| | 59,688,922 | 61,190,520 |
| Add: | | |
| Second and third interim awards of compensation to the Receiver and Manager (Note 6), less \$50,000 charged as a management fee to Lucayan Beach Hotel and Development Limited (Note 4) | 1,415,000 | - |
| Legal expenses of the receivership | <u>44,073</u> | <u>69,429</u> |
| | <u>1,459,073</u> | <u>69,429</u> |
| Deficit at June 17, 1965 as adjusted to end of year | <u>\$61,147,995</u> | <u>\$61,259,949</u> |

COMBINED STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969

WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

| | <u>Year ended December 31</u> | |
|---|-------------------------------|---------------------|
| | <u>1969</u> | <u>1968</u> |
| Deficit from June 18, 1965 to beginning of year | \$ 8,119,434 | \$ 5,842,845 |
| Add- Loss for the year | <u>819,386</u> | <u>2,276,589</u> |
| Deficit at end of year | <u>\$ 8,938,820</u> | <u>\$ 8,119,434</u> |

(The accompanying notes are an integral part
of the combined financial statements.)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS

| | Year ended December 31 | |
|--|------------------------|--------------------|
| | 1969 | 1968 |
| Operating income: | | |
| Interest on short-term investments | \$6,353,991 | \$4,693,890 |
| Interest on advances to- | | |
| Lucayan Beach Hotel and Development Limited (Note 4) | 571,642 | 518,175 |
| Standard Discount Corporation Limited | 43,105 | 161,508 |
| Interest on 6% Capital Notes of General | | |
| Acceptance Corporation | 258,972 | 453,734 |
| Other interest | 3,917 | 8,912 |
| | <u>7,231,627</u> | <u>5,836,219</u> |
| Operating expenses: | | |
| Administrative- | | |
| Bank charges | 269 | 443 |
| Capital and place of business taxes | 225 | 329 |
| Collection expenses | 51,662 | 93,562 |
| Employee benefits | 1,140 | 1,020 |
| Insurance | 168 | 191 |
| Legal and audit | 45,765 | 26,603 |
| Management fees to G.A.C. International | | |
| Acceptance Corporation Limited | 25,000 | 25,000 |
| Miscellaneous | 1,081 | 2,930 |
| Occupancy | 1,504 | 1,405 |
| Postage | 3,152 | 2,610 |
| Printing, stationery and office supplies | 2,010 | 2,852 |
| Rent | 5,367 | 11,092 |
| Salaries | 46,343 | 43,125 |
| Telephone and telegraph | 11,777 | 7,322 |
| Travel and automobile expenses | - | 159 |
| | <u>195,463</u> | <u>218,643</u> |
| Foreign exchange | 47,098 | 344,871 |
| | <u>242,561</u> | <u>563,514</u> |
| Excess of operating income over operating expenses | | |
| before interest on notes | 6,989,066 | 5,272,705 |
| Interest on notes: | | |
| Senior debt- | | |
| Bank advances | 433,842 | 433,842 |
| Short-term | 2,521,456 | 2,521,456 |
| Medium-term | 272,763 | 269,017 |
| Long-term | 3,305,695 | 3,068,100 |
| Subordinated debt | 1,008,965 | 994,685 |
| Junior subordinated debt | 265,731 | 262,194 |
| | <u>7,808,452</u> | <u>7,549,294</u> |
| Loss for the year | <u>\$ 819,386</u> | <u>\$2,276,589</u> |

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of combined financial statements:

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1969 includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited.

The financial statements of Lucayan Beach Hotel and Development Limited, a partly-owned subsidiary, have not been combined with those of Atlantic Acceptance because Lucayan's operations were different and unrelated to those of the other companies in the group for the greater part of the year ended December 31, 1969. For information concerning Lucayan, reference should be made to the audited financial statements of that company as at September 30, 1969 and to Note 4.

The assets in the combined financial statements are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the two receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965.

The Combined Statement of Deficit as at June 17, 1965 reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1969 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1969 reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group during that period.

The results of operations for the year ended December 31, 1969 are set out in the Combined Statement of Loss.

In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1969 (unchanged from the prior year end).

2. Cash:

Cash includes bank deposits of \$964,757 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of shares of former subsidiary companies:

| | <u>1969</u> | <u>1968</u> |
|---|--------------------|--------------------|
| Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31 | <u>\$6,181,854</u> | <u>\$4,887,967</u> |
| Estimated realizable value of certain notes receivable and other net assets of Atlantic Finance Corporation Limited as at December 31 | <u>97,265</u> | <u>385,684</u> |
| | <u>\$6,279,119</u> | <u>\$5,273,651</u> |

4. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1969 were as follows:

| | | |
|--|----------------|-----------------------|
| Balance at December 31, 1968 | | \$11,251,045 |
| Add (deduct) - Transactions with Lucayan in 1969: | | |
| Accrued interest (U.S. \$530,773) | \$ 571,642 | |
| Advance (U.S. \$105,000) | 112,645 | |
| Management fee (U.S. \$46,607) | 50,000 | |
| Repayments credited to interest receivable (U.S. \$1,477,576) and to advances (U.S. \$467,424) | (2,086,619) | |
| Foreign exchange adjustment | <u>(2,222)</u> | |
| | | <u>(1,354,554)</u> |
| Balance at December 31, 1969 | | <u>\$ 9,896,491</u> ← |

This amount is allocated as follows:

| | <u>U.S.</u> | <u>Canadian</u> |
|---|--------------------|--------------------|
| Advances to assist Lucayan in meeting its current obligations | \$5,638,359 | \$6,048,901 |
| Debentures purchased, shown at their face amount | 1,800,000 | 1,931,062 |
| Interest receivable on debentures and advances | <u>147,301</u> | <u>158,029</u> |
| | <u>\$7,585,660</u> | 8,137,992 |
| Balance allocated to the 61.4% of the outstanding shares of Lucayan purchased in 1965 | | <u>1,758,499</u> |
| | | <u>\$9,896,491</u> |

The Receiver and Manager also controls a further 30% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities, amounting to \$1,354,000, is included in the estimated amount recoverable from the assets of Commodore Sales Acceptance Limited referred to in Note 3.

The carrying value of the total Lucayan investment in the accounts at December 31, 1969 is approximately equal to the indicated value of Lucayan's net assets as shown by its audited financial statements as at September 30, 1969, after providing for the loss incurred by Lucayan on the sale of its properties.

On October 1, 1969 Lucayan sold all of its properties and its interest in subsidiary companies for a gross consideration of U.S. \$12,600,000, of which U.S. \$1,000,000 was received on closing in December 1969 and the balance is payable over a period of fifteen years to 1984. As security Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan. The first promissory note in the amount of U.S. \$900,000 fell due and was paid in January 1970.

Since the Receiver and Manager acquired control of Lucayan in 1965 the company's share of the cumulative losses shown in the audited financial statements of Lucayan amount to approximately \$2,850,000 (including about \$100,000 for Lucayan's fiscal year ended September 30, 1969). The Lucayan losses include accrued interest on advances from the company and also include charges for depreciation, based on the Lucayan book value of its fixed assets which were sold on October 1, 1969, amounting to about \$2,825,000 since Atlantic acquired control. In view of the Receiver and Manager's policy of carrying the total interest in Lucayan at its estimated realizable value, no provision for these losses has been included in the company's accounts.

5. 6% Capital Notes of General Acceptance Corporation:

In 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation has prepaid without premium \$10,000,000 to December 31, 1969 and the balance of \$2,427,511 is payable on October 1, 1970.

6. Compensation of the Receiver and Manager:

To December 31, 1969 the Court has approved the payment of three interim awards of compensation aggregating \$3,215,000 to the Receiver and Manager covering services rendered to September 30, 1969. No provision has been made for any further compensation to the Receiver and Manager.

7. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

| | <u>1969</u> | <u>1968</u> |
|-----------------------------------|-------------------|-------------------|
| Bank advances (Note 2): | | |
| Payable in Canadian dollars | \$ 3,250,000 | \$ 3,250,000 |
| Payable in United States dollars | | |
| (U.S. \$4,000,000) | <u>4,291,250</u> | <u>4,291,250</u> |
| | 7,541,250 | 7,541,250 |
| Short-term notes (Note 2): | | |
| Payable in Canadian dollars | 35,280,135 | 35,280,135 |
| Payable in United States dollars | | |
| (U.S. \$15,953,000) | <u>17,114,577</u> | <u>17,114,577</u> |
| | 52,394,712 | 52,394,712 |
| Medium-term notes: | | |
| Payable in Canadian dollars- | | |
| 5 % | 100,000 | 100,000 |
| 5 3/8% | 140,000 | 140,000 |
| 5 7/8% | 700,000 | 700,000 |
| Payable in United States dollars- | | |
| 5 % (U.S. \$2,000,000) | 2,145,625 | 2,145,625 |
| 5 1/4% (U.S. \$2,000,000) | <u>2,145,625</u> | <u>2,145,625</u> |
| | \$ 5,231,250 | \$ 5,231,250 |

Long-term notes:

| | | | | |
|--|--------|--------------------|----------------------|----------------------|
| Payable in Canadian dollars- | | | | |
| Series B | 6 1/2% | | \$ 846,000 | \$ 846,000 |
| Series C | 5 3/4% | | 600,000 | 600,000 |
| Series D | 5 3/4% | | 400,000 | 400,000 |
| Series E | 6 1/4% | | 400,000 | 400,000 |
| Series F | 5 1/4% | | 100,000 | 100,000 |
| Series G | 6 1/4% | | 100,000 | 100,000 |
| Series H | 6 % | | 700,000 | 700,000 |
| Series I | 6 % | | 1,250,000 | 1,250,000 |
| Series O | 6 1/8% | | 1,500,000 | 1,500,000 |
| Payable in United States dollars- | | | | |
| Series A | 6 1/2% | (U.S. \$3,384,000) | 3,630,398 | 3,630,398 |
| Series J | 6 % | (U.S. \$2,250,000) | 2,413,828 | 2,413,828 |
| Series K | 6 % | (U.S. \$1,500,000) | 1,609,219 | 1,609,219 |
| Series L | 6 % | (U.S. \$2,500,000) | 2,682,031 | 2,682,031 |
| Series M | 6 % | (U.S. \$2,500,000) | 2,682,031 | 2,682,031 |
| Series N | 5 3/4% | (U.S. \$7,500,000) | 8,046,094 | 8,046,094 |
| Series P | 6 % | (U.S. \$1,500,000) | 1,609,219 | 1,609,219 |
| Series Q | 6 % | (U.S. \$8,500,000) | 9,118,906 | 9,118,906 |
| Series R | 5 7/8% | (U.S. \$5,460,000) | 5,857,556 | 5,857,556 |
| | | | <u>43,545,282</u> | <u>43,545,282</u> |
| Principal amount of senior debt | | | 108,712,494 | 108,712,494 |
| Redemption premium on long-term notes | | | <u>2,161,558</u> | <u>2,161,558</u> |
| | | | 110,874,052 | 110,874,052 |
| Accrued interest on senior debt to December 31 | | | <u>29,221,755</u> | <u>22,687,998</u> |
| | | | <u>\$140,095,807</u> | <u>\$133,562,050</u> |

8. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

| | | <u>1969</u> | <u>1968</u> |
|---|--------------------|------------------|------------------|
| Payable in Canadian dollars- | | | |
| 6 % | | \$ 23,500 | \$ 23,500 |
| 6 1/4% | | 4,500,000 | 4,500,000 |
| Payable in United States dollars- | | | |
| 6 1/2% | (U.S. \$2,250,000) | 2,413,828 | 2,413,828 |
| 6 1/2% | (U.S. \$ 782,000) | 838,939 | 838,939 |
| 6 % | (U.S. \$3,478,000) | 3,731,242 | 3,731,242 |
| 6 1/4% | (U.S. \$2,340,000) | 2,510,381 | 2,510,381 |
| 6 1/4% | (U.S. \$2,000,000) | <u>2,145,625</u> | <u>2,145,625</u> |
| Principal amount of subordinated debt, carried forward | | \$ 16,163,515 | \$ 16,163,515 |

| | <u>1969</u> | <u>1968</u> |
|---|----------------------|----------------------|
| Forward | \$ 16,163,515 | \$ 16,163,515 |
| Redemption premium | <u>399,925</u> | <u>399,925</u> |
| | 16,563,440 | 16,563,440 |
| Accrued interest on subordinated debt to December 31 | <u>4,708,158</u> | <u>3,699,193</u> |
| | <u>\$ 21,271,598</u> | <u>\$ 20,262,633</u> |

9. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

| | <u>1969</u> | <u>1968</u> |
|--|---------------------|---------------------|
| Payable in Canadian dollars- | | |
| 6 1/2% | \$ 1,000,000 | \$ 1,000,000 |
| 6 3/4% | 400,000 | 400,000 |
| 6 3/4% | 150,000 | 150,000 |
| Payable in United States dollars- | | |
| 6 % (U.S. \$2,000,000) | 2,145,625 | 2,145,625 |
| 6 1/2% (U.S. \$ 500,000) | <u>536,406</u> | <u>536,406</u> |
| | 4,232,031 | 4,232,031 |
| Accrued interest on junior subordinated debt to December 31 | <u>1,301,162</u> | <u>1,035,431</u> |
| | <u>\$ 5,533,193</u> | <u>\$ 5,267,462</u> |

10. Contingent liability:

The company is contingently liable under a guarantee to the amount of approximately \$96,000. If the contingent liability should become an actual liability, the creditor would rank with other unsecured creditors.

11. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1969, the Statement of Deficit as at June 17, 1965, the date when the company went into receivership, as adjusted to December 31, 1969, the Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values.

We have the following comments on the financial statements as at December 31, 1969:

We consider that the estimated amounts due in respect of sale of interest in former subsidiary companies (\$6,279,119) as referred to in Note 3 to the financial statements, and the estimated realizable value of instalment accounts receivable (\$10,000), have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The advances to wholly-owned subsidiary companies (\$365,484) and the estimated equity in assets held by the Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited (\$108,649) are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above.

Full provision has not been made for the compensation of the Receiver and Manager (Note 6 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture (Note 11 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$140,095,807 is entitled to the security of the indenture.

No provision has been made for the operating loss of the unconsolidated subsidiary company, Lucayan Beach Hotel and Development Limited (Note 4 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the deficiency in the net assets as at December 31, 1969, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1969

Assets under the control of the Receiver and Manager:

Cash (Note 2) \$ 973,422

Short-term investments, maturing within one year,
at cost plus accrued interest (including
\$48,128,346 (U.S. \$44,861,843) payable in U.S.
dollars):

| | |
|--|------------------|
| Deposit receipts of Canadian chartered banks | \$48,128,346 |
| Deposit receipts and guaranteed investment certificates of Canadian trust companies | 40,421,872 |
| Provincial treasury bills | <u>3,118,011</u> |

91,668,229

Estimated amounts due in respect of sale of interest
in former subsidiary companies (Note 3)

6,279,119

Income taxes recoverable

48,962

Accounts receivable, at estimated realizable value

10,000

Investments and advances:

| | |
|---|-----------|
| Lucayan Beach Hotel and Development Limited (Note 4) | 9,896,491 |
| 6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 5) | 2,463,924 |

Advances to wholly-owned subsidiary companies,
at estimated realizable value

365,484

12,725,899

Estimated equity in assets held by Receiver and
Manager arising from the receivership of
The Premier Finance Corporation Limited

108,649

111,814,280

Deduct- Liabilities of the Receiver and Manager:

Accounts payable and accrued liabilities

220,457

Estimated realizable value of net assets
under the control of the Receiver and
Manager, before full provision for the
compensation of the Receiver and Manager
(Note 6), being 102.7% of the principal
amount (\$108,712,494) due to senior
noteholders as at December 31, 1969

111,593,823

Deduct- Senior debt (Note 7)

140,095,807

Deficiency in net assets to meet senior debt
outstanding, before full provision for the
compensation of the Receiver and Manager
(Note 6), carried forward

\$ 28,501,984

Forward \$ 28,501,984

Other liabilities:

| | | |
|--|--------------|-------------------|
| Subordinated debt (Note 8) | \$21,271,598 | |
| Junior subordinated debt (Note 9) | 5,533,193 | |
| Accounts payable and accrued liabilities | 64,893 | |
| Dividends payable | 249,430 | |
| Contingent liability (Note 10) | - | |
| | | <u>27,119,114</u> |

Deficiency in net assets \$ 55,621,098

Represented by:

Capital stock \$ 14,455,087

Deficit:

| | | |
|--------------------------------------|------------------|----------------------|
| As at June 17, 1965 as adjusted to | | |
| December 31, 1969 | \$61,137,365 | |
| For the period from June 18, 1965 to | | |
| December 31, 1969 | <u>8,938,820</u> | |
| | | <u>70,076,185</u> |
| | | <u>\$ 55,621,098</u> |

(The accompanying notes are an integral
part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1969

| | | |
|---|----------------|----------------------------|
| Balance at June 17, 1965 as adjusted to December 31, 1968 | | \$61,249,319 |
| Deduct- Adjustments during the year ended December 31, 1969 relating to the assets at June 17, 1965: | | |
| Amounts received (or estimated to be received) from advances to subsidiary (or former subsidiary) companies in excess of their estimated realizable value at December 31, 1968 | \$1,369,347 | |
| Amounts recovered on notes and accounts receivable previously written off as uncollectible | <u>201,680</u> | |
| | | <u>1,571,027</u> |
| | | 59,678,292 |
| Add: | | |
| Second and third interim awards of compensation to the Receiver and Manager (Note 6), less \$50,000 charged as a management fee to Lucayan Beach Hotel and Development Limited (Note 4) | 1,415,000 | |
| Legal expenses of the receivership | <u>44,073</u> | |
| | | <u>1,459,073</u> |
| Deficit at June 17, 1965 as adjusted to December 31, 1969 | | <u><u>\$61,137,365</u></u> |

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

| | |
|---|----------------------------|
| Deficit from June 18, 1965 to December 31, 1968 | \$ 8,119,434 |
| Add- Loss for the year | <u>819,386</u> |
| Deficit at December 31, 1969 | <u><u>\$ 8,938,820</u></u> |

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969

| | | |
|--|----|-------------------|
| Operating income: | | |
| Interest on short-term investments | | \$6,353,991 |
| Interest on 6% Capital Notes of General Acceptance Corporation | | 258,972 |
| Other interest | | <u>1,823</u> |
| | | 6,614,786 |
| Operating expenses: | | |
| Administrative- | | |
| Bank charges | \$ | 212 |
| Collection expenses | | 39,971 |
| Employee benefits | | 1,039 |
| Insurance | | 153 |
| Legal and audit | | 44,871 |
| Management fees to G.A.C. International Acceptance Corporation Limited | | 25,000 |
| Miscellaneous | | 1,003 |
| Occupancy | | 1,451 |
| Postage | | 2,915 |
| Printing, stationery and office supplies | | 1,833 |
| Rent | | 5,121 |
| Salaries | | 42,254 |
| Telephone and telegraph | | <u>10,740</u> |
| | | 176,563 |
| Foreign exchange | | <u>47,061</u> |
| | | <u>223,624</u> |
| Excess of operating income over operating expenses before interest on notes | | 6,391,162 |
| Interest on notes: | | |
| Senior debt- | | |
| Bank advances | | 433,842 |
| Short-term | | 2,521,456 |
| Medium-term | | 272,763 |
| Long-term | | 3,305,695 |
| Subordinated debt | | 1,008,965 |
| Junior subordinated debt | | <u>265,731</u> |
| | | <u>7,808,452</u> |
| | | 1,417,290 |
| Interest charged on advances to wholly-owned subsidiary companies | | 1,022,005 |
| Less- Provision for the net loss of these companies for the year ended December 31, 1969 | | <u>1,038,848</u> |
| | | (16,843) |
| Interest charged on advances to: | | |
| Lucayan Beach Hotel and Development Limited (Note 4) | | 571,642 |
| Standard Discount Corporation Limited | | <u>43,105</u> |
| | | <u>597,904</u> |
| Loss for the year | | <u>\$ 819,386</u> |

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets, and the business and assets of its wholly-owned subsidiaries, are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1969.

2. Cash:

Cash includes bank deposits of \$964,757 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of shares of former subsidiary companies:

| | |
|---|---------------------|
| Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1969 | \$ 6,181,854 |
| Estimated realizable value of certain notes receivable and other net assets of Atlantic Finance Corporation Limited as at December 31, 1969 | <u>97,265</u> |
| | <u>\$ 6,279,119</u> |

4. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1969 were as follows:

| | |
|--|---------------------|
| Balance at December 31, 1968 | \$11,251,045 |
| Add (deduct)- Transactions with Lucayan in 1969: | |
| Accrued interest (U.S. \$530,773) | \$ 571,642 |
| Advance (U.S. \$105,000) | 112,645 |
| Management fee (U.S. \$46,607) | 50,000 |
| Repayments credited to interest receivable (U.S. \$1,477,576) and to advances (U.S. \$467,424) | (2,086,619) |
| Foreign exchange adjustment | <u>(2,222)</u> |
| | <u>(1,354,554)</u> |
| Balance at December 31, 1969 | <u>\$ 9,896,491</u> |

This amount is allocated as follows:

| | <u>U.S.</u> | <u>Canadian</u> |
|---|--------------------|--------------------|
| Advances to assist Lucayan in meeting its current obligations | \$5,638,359 | \$6,048,901 |
| Debentures purchased, shown at their face amount | 1,800,000 | 1,931,062 |
| Interest receivable on debentures and advances | <u>147,301</u> | <u>158,029</u> |
| | <u>\$7,585,660</u> | 8,137,992 |
| Balance allocated to the 61.4% of the outstanding shares of Lucayan purchased in 1965 | | <u>1,758,499</u> |
| | | <u>\$9,896,491</u> |

The Receiver and Manager also controls a further 30% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities, amounting to \$1,354,000, is included in the estimated amount recoverable from the assets of Commodore Sales Acceptance Limited referred to in Note 3.

The carrying value of the total Lucayan investment in the accounts at December 31, 1969 is approximately equal to the indicated value of Lucayan's net assets as shown by its audited financial statements as at September 30, 1969, after providing for the loss incurred by Lucayan on the sale of its properties.

On October 1, 1969 Lucayan sold all of its properties and its interest in subsidiary companies for a gross consideration of U.S. \$12,600,000, of which U.S. \$1,000,000 was received on closing in December 1969 and the balance is payable over a period of fifteen years to 1984. As security Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan. The first promissory note in the amount of U.S. \$900,000 fell due and was paid in January 1970.

Since the Receiver and Manager acquired control of Lucayan in 1965 the company's share of the cumulative losses shown in the audited financial statements of Lucayan amount to approximately \$2,850,000 (including about \$100,000 for Lucayan's fiscal year ended September 30, 1969). The Lucayan losses include accrued interest on advances from the company and also include charges for depreciation, based on the Lucayan book value of its fixed assets which were sold on October 1, 1969, amounting to about \$2,825,000 since Atlantic acquired control. In view of the Receiver and Manager's policy of carrying the total interest in Lucayan at its estimated realizable value, no provision for these losses has been included in the company's accounts.

5. 6% Capital Notes of General Acceptance Corporation:

In 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation has prepaid without premium \$10,000,000 to December 31, 1969 and the balance of \$2,427,511 is payable on October 1, 1970.

6. Compensation of the Receiver and Manager:

To December 31, 1969 the Court has approved the payment of three interim awards of compensation aggregating \$3,215,000 to the Receiver and Manager covering services rendered to September 30, 1969. No provision has been made for any further compensation to the Receiver and Manager.

7. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):

| | |
|---|------------------|
| Payable in Canadian dollars | \$ 3,250,000 |
| Payable in United States dollars (U.S. \$4,000,000) | <u>4,291,250</u> |
| | 7,541,250 |

Short-term notes (Note 2):

| | |
|--|-------------------|
| Payable in Canadian dollars | 35,280,135 |
| Payable in United States dollars (U.S. \$15,953,000) | <u>17,114,577</u> |
| | 52,394,712 |

Medium-term notes:

| | |
|-----------------------------------|------------------|
| Payable in Canadian dollars- | |
| 5 % | 100,000 |
| 5 3/8% | 140,000 |
| 5 7/8% | 700,000 |
| Payable in United States dollars- | |
| 5 % (U.S. \$2,000,000) | 2,145,625 |
| 5 1/4% (U.S. \$2,000,000) | <u>2,145,625</u> |
| | 5,231,250 |

Long-term notes:

| | |
|------------------------------|------------------|
| Payable in Canadian dollars- | |
| Series B 6 1/2% | 846,000 |
| Series C 5 3/4% | 600,000 |
| Series D 5 3/4% | 400,000 |
| Series E 6 1/4% | 400,000 |
| Series F 5 1/4% | 100,000 |
| Series G 6 1/4% | 100,000 |
| Series H 6 % | 700,000 |
| Series I 6 % | 1,250,000 |
| Series O 6 1/8% | <u>1,500,000</u> |

Forward

5,896,000

| | | |
|--|---------------------------|----------------------|
| | Forward | \$ 5,896,000 |
| Payable in United States dollars- | | |
| Series A | 6 1/2% (U.S. \$3,384,000) | 3,630,398 |
| Series J | 6 % (U.S. \$2,250,000) | 2,413,828 |
| Series K | 6 % (U.S. \$1,500,000) | 1,609,219 |
| Series L | 6 % (U.S. \$2,500,000) | 2,682,031 |
| Series M | 6 % (U.S. \$2,500,000) | 2,682,031 |
| Series N | 5 3/4% (U.S. \$7,500,000) | 8,046,094 |
| Series P | 6 % (U.S. \$1,500,000) | 1,609,219 |
| Series Q | 6 % (U.S. \$8,500,000) | 9,118,906 |
| Series R | 5 7/8% (U.S. \$5,460,000) | <u>5,857,556</u> |
| | | 43,545,282 |
| Principal amount of senior debt | | |
| | | 108,712,494 |
| Redemption premium on long-term notes | | |
| | | <u>2,161,558</u> |
| | | 110,874,052 |
| Accrued interest on senior debt to December 31, 1969 | | |
| | | <u>29,221,755</u> |
| | | <u>\$140,095,807</u> |

8. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

| | | |
|--|--------------------|----------------------|
| Payable in Canadian dollars- | | |
| 6 % | | \$ 23,500 |
| 6 1/4% | | 4,500,000 |
| Payable in United States dollars- | | |
| 6 1/2% | (U.S. \$2,250,000) | 2,413,828 |
| 6 1/2% | (U.S. \$ 782,000) | 838,939 |
| 6 % | (U.S. \$3,478,000) | 3,731,242 |
| 6 1/4% | (U.S. \$2,340,000) | 2,510,381 |
| 6 1/4% | (U.S. \$2,000,000) | <u>2,145,625</u> |
| Principal amount of subordinated debt | | |
| | | 16,163,515 |
| Redemption premium | | |
| | | <u>399,925</u> |
| | | 16,563,440 |
| Accrued interest on subordinated debt to December 31, 1969 | | |
| | | <u>4,708,158</u> |
| | | <u>\$ 21,271,598</u> |

9. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

| | |
|--|---------------------------|
| Payable in Canadian dollars- | |
| 6 1/2% | \$1,000,000 |
| 6 3/4% | 400,000 |
| 6 3/4% | 150,000 |
| Payable in United States dollars- | |
| 6 % (U.S. \$2,000,000) | 2,145,625 |
| 6 1/2% (U.S. \$ 500,000) | <u>536,406</u> |
| | 4,232,031 |
| Accrued interest on junior subordinated debt to December 31, 1969 | <u>1,301,162</u> |
| | <u><u>\$5,533,193</u></u> |

10. Contingent liability:

The company is contingently liable under a guarantee to the amount of approximately \$96,000. If the contingent liability should become an actual liability, the creditor would rank with other unsecured creditors.

11. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1969, the Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

The estimated realizable value of instalment notes and accounts receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the deficiency in net assets as at December 31, 1969, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1969

| | |
|--|----------------------------|
| Assets under the control of the Receiver and Manager: | |
| Cash | \$ 15,205 |
| Instalment notes and accounts receivable, at estimated realizable value (Note 2) | 28,000 |
| Income taxes recoverable | 65,443 |
| Fixed assets, at nominal value | <u>1</u> |
| Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965 | 108,649 |
| Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1) | <u>2,392,204</u> |
| Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited | 2,283,555 |
| Add- Other accounts payable and accrued liabilities | <u>10,630</u> |
| Deficiency in net assets | <u><u>\$ 2,294,185</u></u> |

Represented by:

| | |
|---|----------------------------|
| Capital stock | \$ 185,618 |
| Deficit- | |
| As at June 17, 1965 as adjusted to December 31, 1969 | \$1,602,245 |
| For the period from June 18, 1965 to December 31, 1969 | <u>877,558</u> |
| | <u>(2,479,803)</u> |
| | <u><u>\$ 2,294,185</u></u> |

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1969

| | |
|---|---------------------------|
| Deficit at June 17, 1965 as adjusted to December 31, 1968 | \$1,651,720 |
| Deduct- Adjustment during the year ended December 31, 1969 relating to the receivables at June 17, 1965: Amounts received (or estimated to be received) from collections of instalment notes and accounts receivable in excess of their estimated realizable value at December 31, 1968 | <u>49,475</u> |
| Deficit at June 17, 1965 as adjusted to December 31, 1969 | <u><u>\$1,602,245</u></u> |

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

| | |
|--|--------------------------|
| Deficit from June 18, 1965 to December 31, 1968 | \$ 709,161 |
| Add- Loss for the year ended December 31, 1969 | <u>168,397</u> |
| Deficit as at December 31, 1969 | <u><u>\$ 877,558</u></u> |

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
THE CONTROL OF THE RECEIVER AND MANAGER

Expenses:

| | | |
|--|--------------|-------------------------|
| Bank charges | \$ 45 | |
| Business tax | 87 | |
| Collection expenses | 11,691 | |
| Employee benefits | 101 | |
| Insurance | 15 | |
| Miscellaneous | 43 | |
| Occupancy | 53 | |
| Postage | 237 | |
| Printing and stationery | 177 | |
| Rent | 246 | |
| Salaries | 4,089 | |
| Telephone and telegraph | <u>1,037</u> | |
| Expenses before interest charges | | \$ 17,821 |
| Interest on advances from Atlantic Acceptance Corporation Limited | | <u>150,576</u> |
| Loss for the year | | <u><u>\$168,397</u></u> |

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965, and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

2. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper and every effort is being made to collect the outstanding receivables as they fall due.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the accounts. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1969, the Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the company as at December 31, 1969, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1969

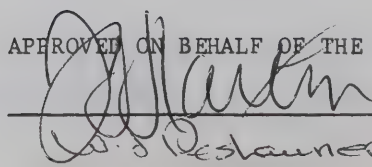

ASSETS

| | |
|---|-------------------|
| Cash | \$ 61,779 |
| Notes receivable, at estimated realizable value (Note 2) | 250,500 |
| Income taxes recoverable | <u>13,500</u> |
| | <u>\$ 325,779</u> |

LIABILITIES

| | |
|--|--------------------|
| Advances from Atlantic Acceptance Corporation Limited (Note 1) | \$4,803,263 |
| Capital stock and deficit: | |
| Capital stock- | |
| Authorized- | |
| 20,500 7% cumulative redeemable preference shares with a par value of \$10 each | |
| 25,000 common shares of no par value | |
| Issued and fully paid- | |
| 17,000 preference shares | \$ 170,000 |
| 10,103 common shares | <u>10,103</u> |
| | 180,103 |
| Deficit- | |
| As at June 17, 1965 as adjusted to December 31, 1969 | \$3,459,430 |
| For the period from June 18, 1965 to December 31, 1969 | <u>1,198,157</u> |
| | <u>4,657,587</u> |
| | <u>(4,477,484)</u> |
| | <u>\$ 325,779</u> |

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1969

| | |
|---|--|
| Deficit at June 17, 1965 as adjusted to December 31, 1968 | \$3,068,659 |
| Add- Adjustment during the year ended December 31, 1969 relating to the notes receivable at June 17, 1965: Excess of the estimated realizable value of notes receivable at December 31, 1968 over the amounts received (or estimated to be received) from collections of the notes | <u>390,771</u> |
| Deficit at June 17, 1965 as adjusted to December 31, 1969 | <u>\$3,459,430</u> |

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

| | |
|--|----------------------------|
| Deficit from June 18, 1965 to December 31, 1968 | \$ 896,176 |
| Add- Loss for the year ended December 31, 1969 | <u>301,981</u> |
| Deficit as at December 31, 1969 | <u>\$1,198,157</u> |

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969

| | |
|--|-------------------------|
| Expenses: | |
| Bank charges | \$ 12 |
| Capital and place of business taxes | 55 |
| Legal | <u>356</u> |
| Expenses before interest charges | 423 |
| Interest on advances from parent company | <u>301,558</u> |
| Loss for the year | <u><u>\$301,981</u></u> |

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet as estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1969.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1969, the Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$4,500 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the company as at December 31, 1969, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1969

ASSETS

| | |
|---|-----------|
| Mortgages receivable, including accrued interest, less estimated allowance for possible loss \$4,500 (Note 2) | \$ 20,216 |
|---|-----------|

LIABILITIES

| | |
|---------------------|-------|
| Accrued liabilities | \$ 15 |
|---------------------|-------|

| | |
|---|----------------|
| Advances from Atlantic Acceptance Corporation Limited | <u>227,777</u> |
| | 227,792 |

Capital stock and deficit:

Capital stock-

Authorized- 40,000 shares without par value

| | |
|---------------------------------|------|
| Issued and fully paid- 3 shares | \$ 3 |
|---------------------------------|------|

Deficit-

As at June 17, 1965 as adjusted

to December 31, 1969

\$130,138

For the period from June 18, 1965

to December 31, 1969

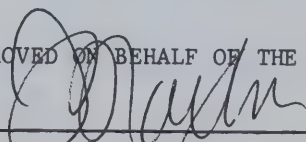
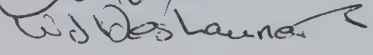
77,441

207,579

(207,576)

\$ 20,216

APPROVED ON BEHALF OF THE BOARD:

| | |
|---|----------|
|  | Director |
|  | Director |

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1969

| | |
|---|------------------|
| Deficit at June 17, 1965 as adjusted to December 31, 1968 | \$136,276 |
| Deduct- Adjustment during the year ended December 31, 1969 relating to the mortgages receivable at June 17, 1965: Amounts received (or estimated to be received) from collections of the mortgages receivable in excess of their estimated realizable value at December 31, 1968 | <u>6,138</u> |
| Deficit at June 17, 1965 as adjusted to December 31, 1969 | <u>\$130,138</u> |

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
THE CONTROL OF THE RECEIVER AND MANAGER

| | |
|--|------------------|
| Deficit from June 18, 1965 to December 31, 1968 | \$ 64,183 |
| Add- Loss for the year ended December 31, 1969 | <u>13,258</u> |
| Deficit as at December 31, 1969 | <u>\$ 77,441</u> |

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969

| | |
|---|------------------------|
| Interest income | \$ 2,094 |
| Miscellaneous expenses | <u>28</u> |
| Excess of income over expenses before interest charges | 2,066 |
| Interest on advances from parent company | <u>15,324</u> |
| Loss for the year | <u><u>\$13,258</u></u> |

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary.

The assets of Atlantic Acceptance (Toronto), which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of the advances from the parent company.

2. Mortgages receivable:

The mortgages are generally repayable in monthly instalments over periods up to 1972 and every effort is being made to collect the outstanding mortgages as they fall due.

A provision of \$4,500 has been made in the Balance Sheet as an estimated allowance for possible loss on collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1969, the Statement of Deficit for the period from June 18, 1965 to December 31, 1969 while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the company as at December 31, 1969, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants.

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1969
(stated in United States dollars)

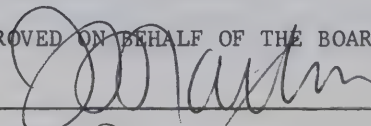
ASSETS

| | | |
|---|----|---------------|
| Cash | \$ | 180 |
| Notes receivable, at estimated realizable value (Note 2) | | 43,000 |
| Office furniture, at nominal value | | <u>1</u> |
| | \$ | <u>43,181</u> |

LIABILITIES

| | | |
|--|------------------|--------------------|
| Accrued liabilities | \$ | 25,000 |
| Advances from Atlantic Acceptance Corporation Limited (Canadian \$8,796,552) (Note 1) | | <u>8,199,266</u> |
| | | 8,224,266 |
| Capital stock and deficit: | | |
| Capital stock- | | |
| Authorized- 200 shares without par value | | |
| Issued- 100 shares | \$ | 10,000 |
| Deficit- | | |
| As at June 17, 1965 as adjusted to December 31, 1969 | \$5,873,844 | |
| For the period from June 18, 1965 to December 31, 1969 | <u>2,317,241</u> | |
| | | <u>8,191,085</u> |
| | | <u>(8,181,085)</u> |
| | \$ | <u>43,181</u> |

APPROVED ON BEHALF OF THE BOARD:



W. J. Dedman

Director

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1969
(stated in United States dollars)

| | |
|---|---------------------------|
| Deficit at June 17, 1965 as adjusted to December 31, 1968 | \$5,874,235 |
| Deduct- Adjustment during the year ended December 31, 1969 relating to the notes receivable at June 17, 1965: Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1968 | <u>391</u> |
| Deficit at June 17, 1965 as adjusted to December 31, 1969 | <u><u>\$5,873,844</u></u> |

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1969
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED
(stated in United States dollars)

| | |
|--|---------------------------|
| Deficit from June 18, 1965 to December 31, 1968 | \$1,802,075 |
| Add- Loss for the year ended December 31, 1969 | <u>515,166</u> |
| Deficit as at December 31, 1969 | <u><u>\$2,317,241</u></u> |

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969
(stated in United States dollars)

Expenses:

| | |
|--|-------------------------|
| Capital and place of business taxes | \$ 56 |
| Legal | 500 |
| Loss in foreign exchange | 2,023 |
| Miscellaneous | <u>8</u> |
| Expenses before interest charges | 2,587 |
| Interest on advances from Atlantic Acceptance Corporation Limited | <u>512,579</u> |
| Loss for the year | <u><u>\$515,166</u></u> |

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1969 and a Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1969

ASSETS

\$ Nil

LIABILITIES

Advance from Atlantic Acceptance
Corporation Limited

\$1,162

Capital stock and deficit:

Capital stock-

Authorized- 100,000 shares without par value

Issued and fully paid- 3 shares

\$ 3

Deficit-

As at June 17, 1965 (no change
to December 31, 1969)

\$774

For the period from June 18, 1965
to December 31, 1969-

Deficit from June 18, 1965
to December 31, 1968

\$299

Loss for the year ended

December 31, 1969, represented
by interest on advances from the
parent company (\$72) and miscellaneous
expense (\$20)

92

Deficit as at December 31, 1969

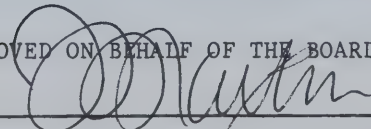
391

1,165

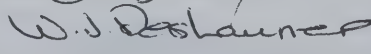
(1,162)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:



Director



Director

May 15, 1970.

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1969, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1969 and a Statement of Loss for the year ended December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

PAY AS YOU STUDY PLAN LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1969

ASSETS

\$ Nil

LIABILITIES

Advances from Atlantic Acceptance
Corporation Limited

\$38,450

Capital stock and deficit:

Capital stock-

Authorized-

1,800 6% non-cumulative redeemable
preference shares with a par
value of \$100 each

20,000 common shares without par
value

Issued and fully paid-

3 common shares

\$ 3

Deficit-

As at June 17, 1965 as adjusted to
December 31, 1969 (no change
during 1969)

\$28,437

For the period from June 18, 1965 to
December 31, 1969-

Deficit from June 18, 1965 to
December 31, 1968

\$7,590

Loss for the year ended December
31, 1969, represented by interest

on advances from the parent company 2,426

Deficit as at December 31, 1969

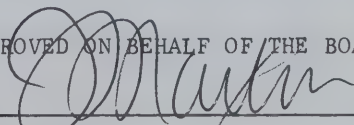
10,016

38,453

(38,450)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:



Director



Director

PRICE WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

P. W. ANDRAE
E. R. FINGLAND
L. CROPPER
A. H. BRIGGS
T. GORMAN

P.O. BOX F-2418
MERCANTILE BANK BUILDING
THE MALL
FREEPORT · BAHAMAS

CABLES: PRICEWATER FREEPORTBAHAMAS
TELEPHONE: 7801 (3 LINES)

The Directors and Shareholders

Lucayan Beach Hotel & Development Limited

We have examined the accompanying Consolidated Balance Sheet of Lucayan Beach Hotel & Development Limited at 30th September, 1969 and the related Consolidated Statement of Deficit for the year ended 30th September, 1969. We have maintained the accounting records of the parent company and its non-active subsidiaries for the year under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances for such companies. Our examination of the active subsidiary was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As the Company has never maintained detailed registers of property, plant and equipment and has valued certain land without independent appraisal we have been unable to verify the carrying costs of such items or their existence as relates to retirements, replacements and obsolescence. The land valuation reserve and other capital reserves were used in 1965 to re-organise the Share Capital of the Company and to write off initial operating losses. Further, evidence available indicates that certain transactions entered into during 1965 relating to the acquisition of certain fixed assets were not on an arms length basis.

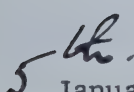
Contd.....

The Directors and Shareholders

Lucayan Beach Hotel & Development Limited

Accordingly we do not express an opinion on the financial statements taken as a whole, however, in our opinion all accounts other than those which may be affected by the above (which include fixed assets, accumulated depreciation, shareholders equity, net deficit and depreciation) are presented fairly in conformity with generally accepted accounting principles.


Chartered Accountants


5 January, 1970
Freeport, Bahamas.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

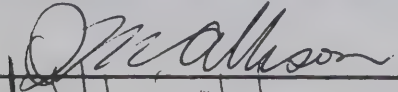
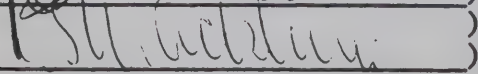
CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1969-1968
(Stated in United States Dollars)

ASSETS

| | | 1968 (unaudited) |
|--|-----------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash and balances with bankers | \$ 111,902 | \$ 48,794 |
| Accounts receivable (less allowance for doubtful accounts \$86,248; 1968 \$75,581) | 476,576 | 288,152 |
| Inventories at cost (Note 2) | 139,940 | 143,234 |
| Deposits and prepayments | 65,775 | 71,752 |
| | <u>794,193</u> | <u>551,932</u> |
| LONG TERM RECEIVABLES (Note 3) | <u>108,067</u> | <u>-</u> |
| FIXED ASSETS at cost, less accumulated depreciation (Note 4) | <u>14,065,132</u> | <u>14,935,331</u> |
| | <u>\$14,967,392</u> | <u>\$15,487,263</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Bank overdraft - unsecured | \$ 204,870 | \$ 223,704 |
| Reservation and security deposits | 78,888 | 64,061 |
| Accounts payable and accrued expenses | 818,598 | 719,381 |
| | <u>1,102,356</u> | <u>1,007,146</u> |
| PROVISION FOR LOSS ON SALE OF ASSETS (Note 1) | <u>1,924,953</u> | <u>-</u> |
| LOANS including accrued interest (Note 5) | <u>9,052,347</u> | <u>9,548,032</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital authorised and issued | | |
| 10,000,000 shares of B72¢ each fully paid | 7,056,000 | 7,056,000 |
| Capital reserve (Note 1) | - | 1,291,553 |
| | <u>7,056,000</u> | <u>8,347,553</u> |
| Accumulated deficit | (4,168,264) | (3,415,468) |
| | <u>2,887,736</u> | <u>4,932,085</u> |

} DIRECTORS

\$14,967,392 \$15,487,263

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF DEFICIT FOR THE
YEAR ENDED SEPTEMBER 30, 1969-1968
(Stated in United States Dollars)

| | | 1968 (unaudited) |
|--|------------------|---------------------|
| Departmental income (Schedule 1) | \$ 2,581,797 | \$ 1,732,422 |
| Revenue from other rentals and concessions | 926,306 | 808,185 |
| Other income | 164,889 | 56,103 |
| | <u>3,672,992</u> | <u>2,596,710</u> |
| OTHER EXPENSES | | |
| Depreciation | 781,849 | 713,656 |
| Loan and other interest | 544,715 | 545,940 |
| Other operating expenses | 579,997 | 465,817 |
| Selling general and administration | 1,296,448 | 1,107,143 |
| Repairs and maintenance | 589,379 | 368,803 |
| | <u>3,792,388</u> | <u>3,201,359</u> |
| NET DEFICIT FOR THE YEAR | 119,396 | 604,649 |
| ACCUMULATED DEFICIT AT BEGINNING OF YEAR | 3,415,468 | 2,810,819 |
| Provision for loss on sale of assets (Note 1) | \$1,924,953 | |
| Less transfer from Capital Reserve | 1,291,553 | 633,400 |
| | | - |
| ACCUMULATED DEFICIT AT END OF YEAR | \$ 4,168,264 | \$ 3,415,468 |

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT SEPTEMBER 30, 1969

NOTE 1 - SALE OF FIXED ASSETS AND SUBSIDIARIES

Effective October 1, 1969 the company sold all of its fixed assets and its interest in its subsidiary companies for a gross consideration of \$12,600,000 to be satisfied as follows:-

| | |
|------------------|------------------|
| Cash | \$ 1,000,000 |
| Promissory notes | 2,600,000 |
| Debenture | <u>9,000,000</u> |
| | \$12,600,000 |

Interest is payable on the purchase consideration at the rate of 9% per year from October 1, 1969 to December 15, 1969, the date of closing.

The promissory notes which carry interest at 9% per year are secured by a bankers unconditional letter of credit and are payable as follows:-

| | |
|--------------|----------------|
| January 1970 | \$ 900,000 |
| January 1971 | 900,000 |
| January 1972 | <u>800,000</u> |
| | \$2,600,000 |

The debenture which carries interest at 9% per year is payable over 15 years to 1984 and is secured on all property present and future of the purchaser and its subsidiaries at present, primarily the assets sold.

Provision has been made for the loss on this sale, including costs and expenses, in the amount of \$1,924,953. The balance brought forward on Capital Reserve of \$1,291,553 has been utilised to reduce the charge against accumulated deficits.

The state of the companys affairs immediately after the sale is shown in the Pro-forma Balance Sheet at October 1, 1969 attached hereto as Schedule 2.

NOTE 2 - INVENTORIES \$139,940

Physical inventories have been reduced by \$19,589 to bring in use stocks up to full operating quantities based on predetermined par stock levels. In use stocks are not recorded as an asset but are written off against operations at the time of issue.

NOTE 3 - LONG TERM RECEIVABLES \$108,067

| | |
|---------------------------------|------------------|
| Total amount receivable | \$146,092 |
| Less amount due within one year | <u>38,025</u> |
| | <u>\$108,067</u> |

These amounts are due variously from 1971 to 1973 and bear interest at 8% per year.

NOTE 4 - FIXED ASSETS

| | <u>Cost or Valuation</u> | <u>Accumulated Depreciation</u> | <u>Net</u> |
|--|------------------------------|-------------------------------------|---------------------|
| Freehold land, hotel build- ings and apartments | \$12,575,569 | \$2,028,854 | \$10,546,715 |
| Marina, wharves and equipment | 2,585,000 | 66,025 | 2,518,975 |
| Furniture, fittings and equipment | <u>2,536,717</u> | <u>1,537,275</u> | <u>999,442</u> |
| | <u>\$17,697,286</u> | <u>\$3,632,154</u> | <u>\$14,065,132</u> |

(i) Fixed assets are included at cost except for certain freehold land which is shown at a valuation of \$2,500,000 placed on it by the Directors in 1965 and subsequently ratified by the shareholders of the company.

(ii) Annual rates of depreciation are as follows:-

| | |
|-------------------------------|------------|
| Hotel and apartment buildings | 3% to 7½% |
| Wharves | 2% |
| Furniture | 10% to 25% |

(iii) In accordance with the terms of the proposed sale of the company's assets accelerated depreciation has been charged on certain fixed assets of the main operating subsidiary, Lucayan Beach Management Limited, so that the net book value of those items equals the proposed sale consideration. This has resulted in a greater charge against income for the year of approximately \$50,000.

NOTE 5 - LOANS \$9,052,347

The company has outstanding the following loans from the Receiver and Manager of Atlantic Acceptance Corporation Limited:-

Secured by Debentures with a specific charge on the freehold and leasehold property of the company and floating charges on all other assets of the company.

| | |
|---|-------------|
| The loans are repayable on demand and carry interest at 6% per year | \$7,217,900 |
|---|-------------|

| | |
|--|------------------|
| Unsecured loans including accrued interest and carrying interest at 6% per year, repayable on demand | <u>1,834,447</u> |
|--|------------------|

| | |
|--|--------------------|
| | <u>\$9,052,347</u> |
|--|--------------------|

From November 1, 1969 the above loans are to carry interest at 9% per year. Since year end the company has repaid \$1,695,000 of this indebtedness out of the proceeds of the sale of the company's assets.

NOTE 6 - GENERAL

The 1968 comparative figures have been prepared as if Lucayan Beach Management Limited had been a subsidiary for the whole year so as to show related comparison with 1969. The 1968 figures have not been audited.

NOTE 7 - RATES OF EXCHANGE

All amounts are stated in United States Dollars and where necessary, other currencies have been expressed at the rate of:-

Bahamian \$1.00 = U.S.\$0.98

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

STATEMENT OF DEPARTMENTAL INCOME FOR THE
YEAR ENDED SEPTEMBER 30, 1969

| | <u>Net sales</u> | <u>Cost of sales</u> | <u>Payroll</u> | <u>Other expenses</u> | <u>Departmental Income/(loss)</u> |
|---------------------|--------------------|----------------------|--------------------|-----------------------|-----------------------------------|
| Rooms | \$2,852,797 | \$ - | \$ 310,282 | \$ 595,778 | \$1,946,737 |
| Food | 1,457,375 | 569,562 | 508,022 | 235,379 | 144,412 |
| Beverage | 595,013 | 118,035 | 101,513 | 125,185 | 250,280 |
| Telephone | 178,312 | 116,652 | 40,036 | 37,152 | (15,528) |
| Howard Johnson's | 296,940 | 125,185 | 79,995 | 53,233 | 38,527 |
| Lucayan coffee shop | 136,852 | 64,539 | 45,311 | 26,652 | 350 |
| Lucayan apartments | 232,786 | - | 36,956 | 53,551 | 142,279 |
| Marina | 206,217 | 80,886 | 23,512 | 27,079 | 74,740 |
| | <u>\$5,956,292</u> | <u>\$1,074,859</u> | <u>\$1,145,627</u> | <u>\$1,154,009</u> | <u>\$2,581,797</u> |

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITEDPRO-FORMA BALANCE SHEET AT OCTOBER 1, 1969
(Stated in United States Dollars)ASSETS

CURRENT ASSETS

| | |
|-------------------------------------|------------------|
| Balance with bankers | \$ 65,536 |
| Accounts receivable and prepayments | <u>2,289,511</u> |
| | 2,355,047 |

| | |
|---------------------------------------|---------------------|
| LONG TERM RECEIVABLES (Notes 1 and 3) | 10,683,086 |
| | <u>\$13,038,133</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | |
|--------------------------------------|--------------|
| Accounts payable and accrued charges | \$ 1,098,050 |
|--------------------------------------|--------------|

| | |
|---|------------------|
| LOANS including accrued interest (Note 5) | <u>9,052,347</u> |
|---|------------------|

SHAREHOLDERS' EQUITY

| | |
|---|----------------------|
| Share capital, authorised and issued | 7,056,000 |
| 10,000,000 shares of B72¢ each fully paid | (<u>4,168,264</u>) |
| Deficit (Note 1) | 2,887,736 |

\$13,038,133

Numbered note references refer to the Notes to the Consolidated Financial Statements of the Company at September 30, 1969.

